



THE CONCEPT OF FIXED ASSETS, THEIR CLASSIFICATION AND VALUATION IN ACCOUNTING

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Abstract:In the research work theoretically studied the content of the main tools and their classification, as well as the assessment of the main tools in accounting.

Keywords:Main assets, the structure of the main assets, the state of the main assets, classification of the main assets, the effectiveness of the use of the main assets.

INTRODUCTION:Organizations use various resources, including material, labor and financial, to successfully conduct their activities. An important aspect is the effective management of fixed assets, since they represent labor tools and working conditions.

Fixed assets, such as equipment and buildings, play a significant role in the production process, determining its capacity and technical base. The quality use of these funds significantly affects the financial position and competitiveness of the company.

During the transition to a market economy and increasing requirements for the competitiveness of products, enterprises in various industries need to technically update equipment, modernize fixed assets, optimize the use of existing resources, actively replace outdated equipment with new ones, and also increase the productivity of existing facilities. These changes entail new requirements for asset accounting, which are key to operational management, management decision-making and meeting the needs of various stakeholders, including investors, creditors, tax and financial authorities [1].

Analysis of the movement of fixed assets in an enterprise helps determine how accessible they are in the required volumes and variety, as well as how effectively they are used. This information is important for identifying opportunities to improve the use of fixed assets and increase their efficiency.

METHODOLOGY

In the research work, used monographic research, systematic analysis and comparison methods, which made it possible to theoretically surround the state and composition of the main tools in industrial enterprises and the effectiveness of their use.

LITERATURE ANALYSIS

The analysis of the formation of the main assets in industrial enterprises, their essence, classification of the main assets are studied theoretically and practically in the scientific work of various researchers.

In the G.V.Saviskaya's theoretical researches studied new approaches to determining the state and value of main assets of industrial enterprises today [2].

And by A.D.Sheremet has been improved the methodology for determining the essence, classification of the main assets [3].

An attempt has been made to determine for private cases the validity of the aspects of the researchers' theoretical and applied research mentioned in this article in specific enterprises.

ANALYSIS AND RESULTS

In the scientific literature and in practical application, the following terms are most often used to define means of labor: "fixed assets" and "fixed capital". Fixed assets are tangible assets that an enterprise maintains for the purpose of being used in the process of producing goods, performing work, providing services, as well as for carrying out administrative and socio-cultural functions over a long period as part of business activities.

In accordance with the International Financial Reporting Standard (hereinafter referred to as IFRS), in standard IAS 16 "Fixed Assets", when including assets in accounting as fixed assets, the following conditions must be simultaneously met:

- reasonable probability that the company will receive related the asset has future economic benefits;
- the cost of an asset to a company can be reliably estimated (Figure 1).

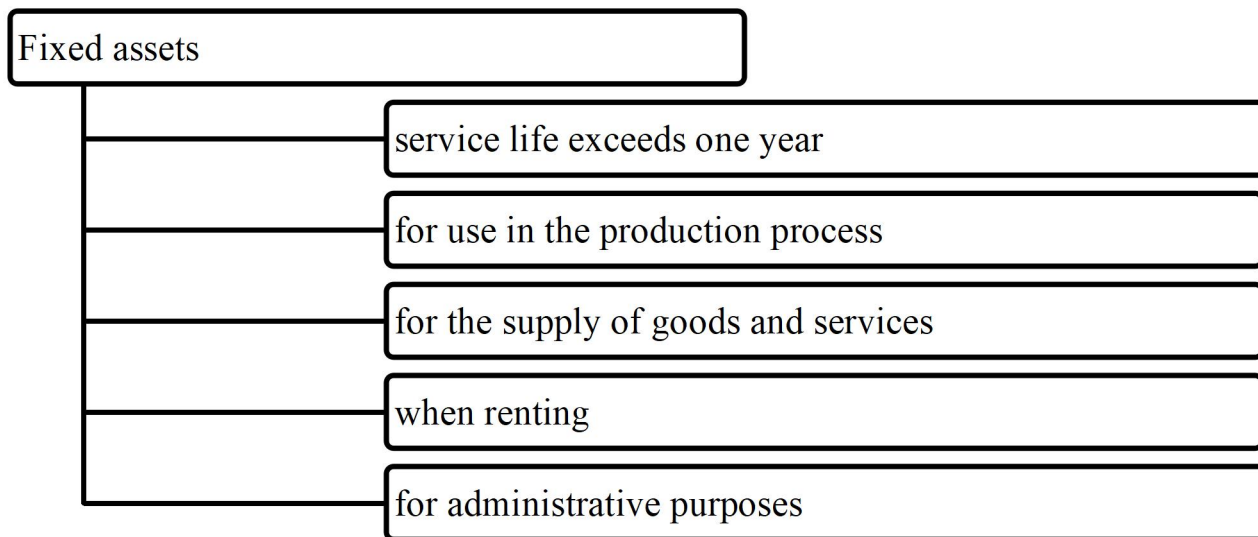


Figure 1. Criteria for recognition of fixed assets¹

The head of the enterprise has the right to set a lower limit for the cost of items for the reporting year for their accounting as part of fixed assets and enshrine this in the accounting policy.

The main objectives of accounting for fixed assets include the following aspects (Figure 2).

¹clause 7. International Financial Reporting Standard (IAS) 16 "Fixed Assets"

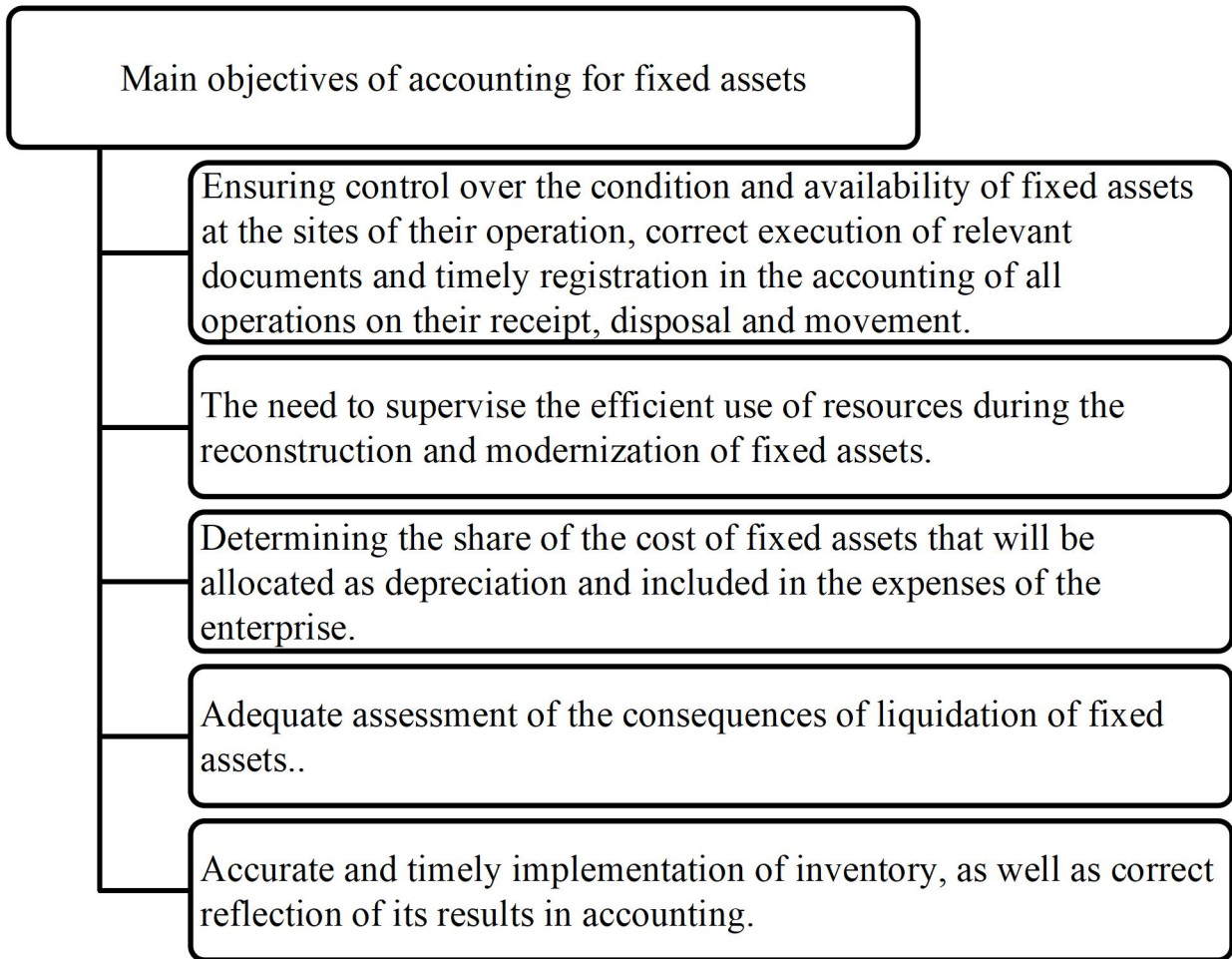


Figure 2. The main tasks of accounting for fixed assets²

The receipt of fixed assets for an enterprise can occur in various ways, depending on its needs, strategy and capabilities. Examples are the methods shown in Figure 3:

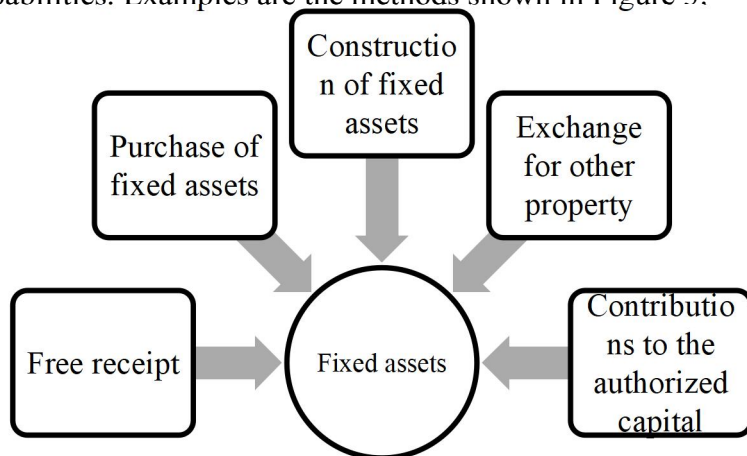


Figure 3. Methods of receipt of fixed assets³

In fixed asset accounting, the key unit is the inventory item. An inventory item in relation to fixed assets is defined as an object with corresponding fixtures and accessories or as a separate structurally distinguished item designed to perform certain independent functions. It may also be a separate complex of structurally related objects that make up a single whole and are intended to carry out certain operations.

For each object in the organization, a unique inventory number is established, which is maintained throughout the entire period of its use, storage or temporary decommissioning. This number is recorded on

²Ergasheva Sh.T. Accounting: Textbook / Sh.T. Ergasheva; T. "SHTKSYU-MOPUA", 2010. -63 p.

³Developed by the author.

the object itself and must be indicated in all relevant documents related to the movement of fixed assets. The inventory number assigned to an object after its decommissioning can be reused no earlier than five years after disposal.

Inventory is a method of determining the actual availability of an enterprise's economic assets on a certain date through their calculation, measurement and evaluation, as well as checking the enterprise's calculations with accounting data. It is carried out to check the compliance of the actual quantitative and cost balances of goods with accounting data. The results of the inventory are determined by comparing the actual balances indicated in the inventory list with the accounting records at the time of the inventory.

Restoration of fixed assets can be implemented through various methods, including carrying out repair work (current, average and capital levels (Figure 4)), as well as carrying out modernization and reconstruction activities. This process covers a wide range of activities aimed at restoring and renewing fixed assets to ensure their proper functioning, improve their efficiency and extend their useful life. Options for restoring fixed assets can be selected depending on their condition, the needs of the enterprise and the goals to be achieved.

Repair of fixed assets can be carried out by contract, household or mixed methods. With the contract method, fixed assets are repaired by specialized entities (car repair, repair and construction organizations); with the economic method, repairs are carried out by the forces and resources of the entity itself. With a mixed method, part of the repair work is carried out on our own and part by specialized organizations.

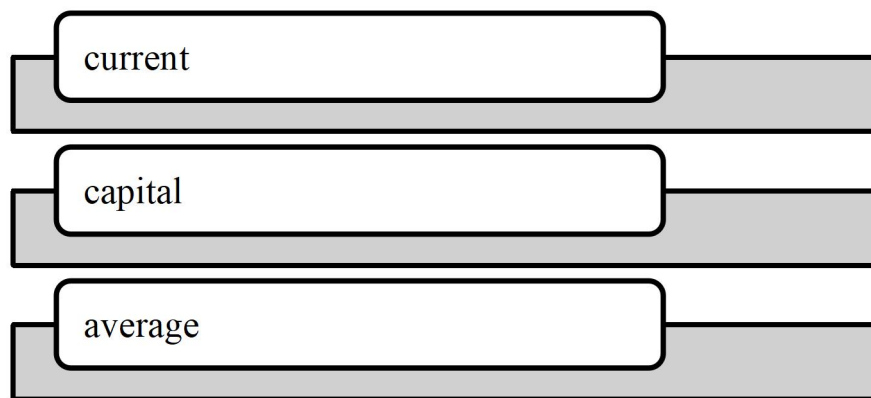


Figure 4. Classification of repairs of fixed assets by nature of work⁴

In accounting for fixed assets, cost aspects play an important role, according to which they are recorded and reflected in the financial statements of the enterprise. Understanding these values is a key element for effective financial management and strategic decision making in the context of long-term assets.

Fixed assets such as buildings, equipment, vehicles and other long-lived assets wear out and lose value over time. Depreciation allows you to take this process into account, which contributes to an adequate assessment of the financial results and condition of the organization's assets. Maintaining depreciation, according to IFRS, requires compliance with a number of principles and approaches that are aimed at ensuring objectivity and comparability of financial statements.

IFRS defines depreciation as a systematic reduction in the depreciable cost of an asset over its useful life.

IFRS regulate the following methods of calculating depreciation, shown in Figure 5:

⁴Developed by the author.

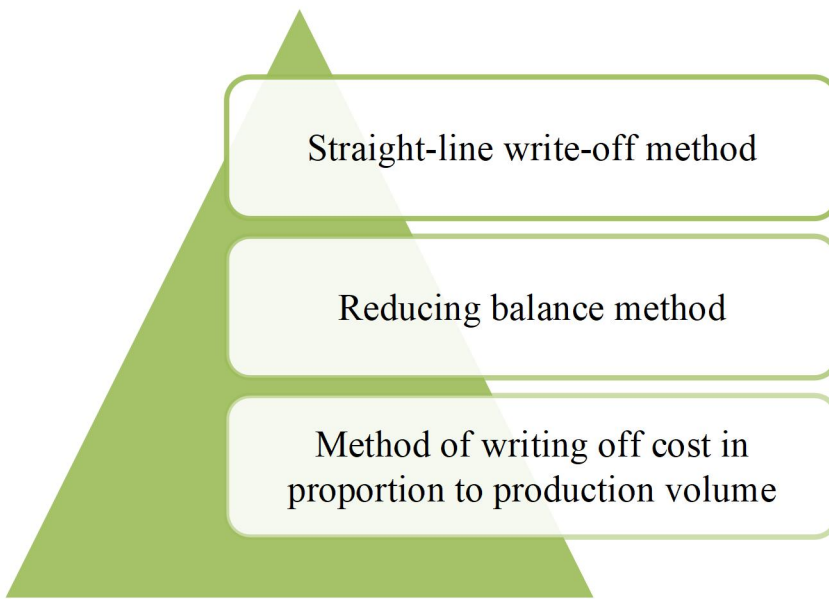


Figure 5. Depreciation methods⁵

Effective valuation of property, plant and equipment under IFRS is critical to accurately reflect the value of a company's assets and their role in its operations. In IFRS, there are several types of valuation of fixed assets, which is provided for in the standard IAS 16 “Fixed Assets” (Figure 6).

The measurement of an asset on initial recognition in the financial statements is based on the amount of cash or cash equivalents paid for the asset or the fair value of other consideration given in exchange for the asset at the time of its acquisition or creation. If necessary, the amount that relates to this asset in accordance with the requirements of other IFRS standards is also taken into account.

Carrying amount in the context of IFRS is the estimated value of an asset at a specified date, which includes the initial cost of the asset less the amount of depreciation or impairment (if any). This means that the book value reflects the remaining value of an asset after taking into account depreciation or changes in its market value. Book value allows companies to estimate the value of the assets on their balance sheet at a specific point in time.

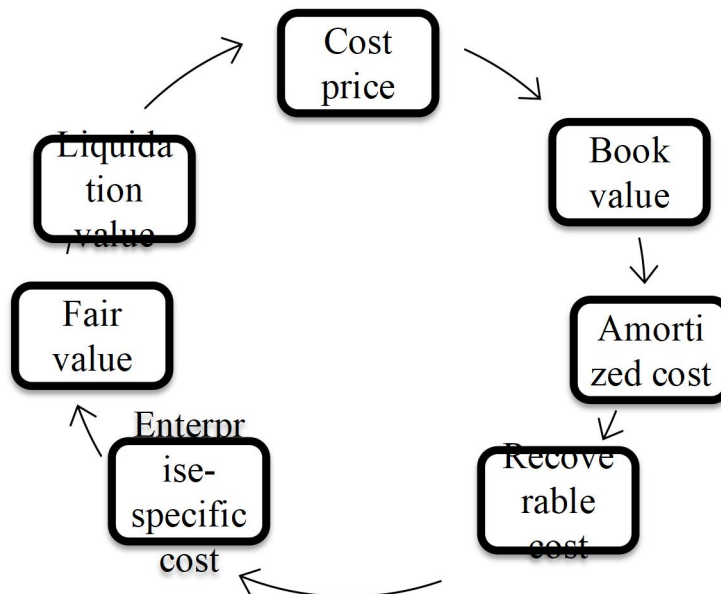


Figure 6. Types of valuations of fixed assets in IAS 16 “Fixed assets”⁶

⁵Developed by the author.

⁶clause 6. International Financial Reporting Standard (IAS) 16 “Fixed Assets”

The depreciable amount in IFRS is the initial cost of the asset or the amount taken as the initial cost less the estimated salvage value. This indicator reflects the remaining value of an asset at a certain date after taking into account the amount that was directly used for depreciation of the asset over the period of its use.

IFRS (International Financial Reporting Standards) defines the term "recoverable amount" as the higher of an asset's fair value less costs to sell and its value in use. This means that when estimating the value of an asset, a company considers its potential value when sold after deducting any costs associated with the sale, as well as its potential value when used in the future activities of the company. This assessment helps companies make informed decisions about the further disposal of assets, taking into account their potential value in the market and the internal needs of the company.

Entity-specific cost includes an estimate of the expected cash flows from the continued use of the asset and its sale at the end of its useful life, as well as the cash flows associated with the settlement of liabilities.

Liquidation value is defined as the estimated amount a company can expect to receive from the sale of an asset or the settlement of a liability in the event of liquidation or discontinuation of business. When estimating the liquidation value of a company, it takes into account the potential costs of selling the asset, possible changes in market conditions and demand for the asset or liability. This assessment is important to determine the potential value of the asset if it is quickly realized, which may be necessary in situations of financial instability or liquidation of the enterprise.

A variety of methods may be used to estimate fair value, including comparative analysis of market data, modeling of future cash flows, or the use of professional appraisers. Fair value is a key indicator for assessing the financial condition and performance of a company, as it reflects the fair value of assets and liabilities at the time the financial statements are prepared.

Fair value is the price that would be received for an asset when it was sold, or the price that would be paid to transfer a liability in an orderly transaction between market participants on a specified date. This concept implies that the fair value of an asset or liability is based on current market conditions and is measured taking into account all existing factors that could affect its value.

There are several ways to classify fixed assets, which determine their division according to various criteria. One of these classifications is the division of fixed assets into sectors of the national economy, depending on their functional purpose, the degree and nature of use and ownership, as well as their role in the economic activity of the enterprise.

According to their functional purpose, fixed assets are divided into industrial-production and non-industrial, the latter, in turn, can be associated with non-production areas, such as agriculture and construction. Production fixed assets include technical means directly involved in the production process (working machines, equipment, power machines and other means of labor) and objects created to ensure conditions for the use of means of labor in the production process (buildings, structures and other objects).

Non-productive fixed assets include facilities associated with household services, as well as buildings and structures used in agriculture, trade and supply organizations, culture, science and education (Figure 7).

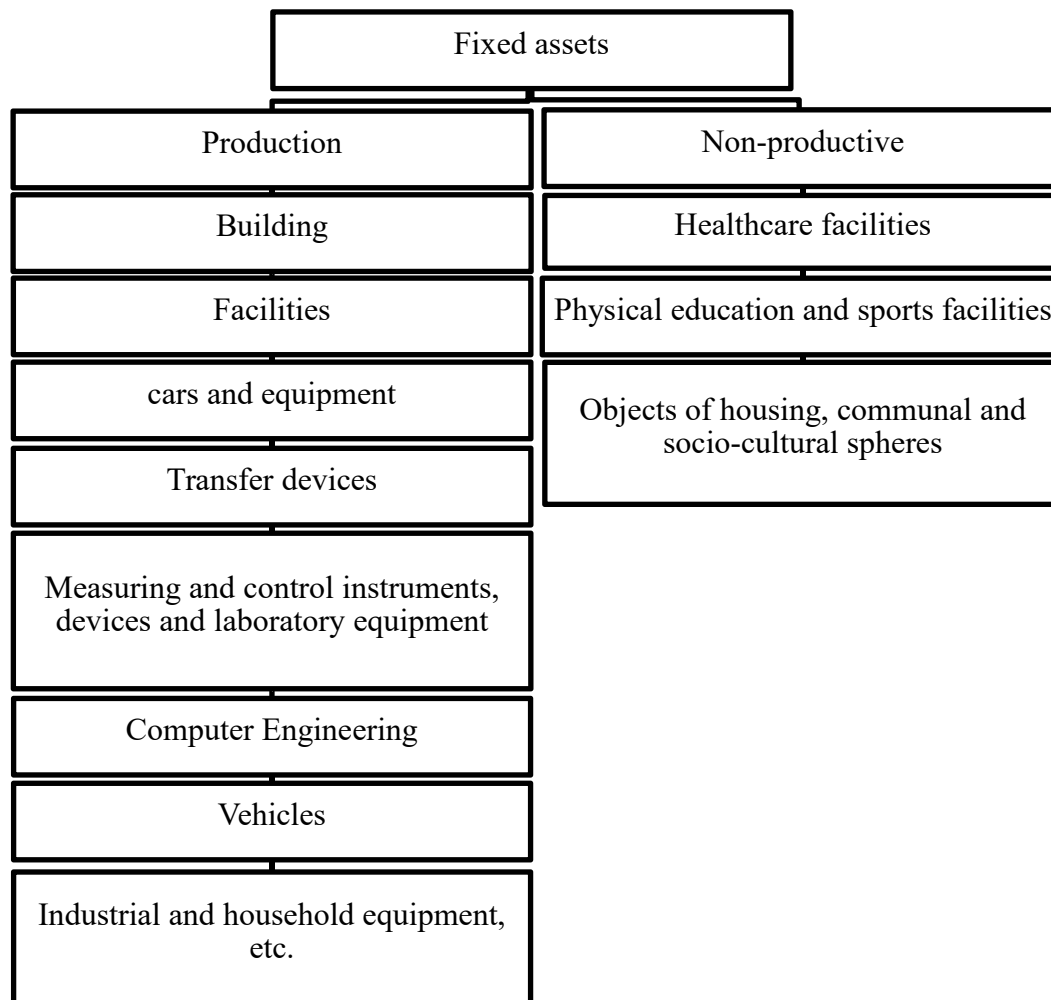


Figure 7. Classification of fixed assets by functional significance⁷

By ownership, fixed assets are classified into:

- own fixed assets - objects owned by the company. They are reflected on its balance sheet;
- leased fixed assets - objects received from another entity under a lease agreement for a period established in it or that are under economic control or operational management.

This approach allows you to estimate the share of each category and assess the level of technical equipment, production capacity and capabilities of the enterprise.

According to the Chart of Accounts for accounting financial and economic activities of organizations and the Instructions for its application, approved by Order of the Ministry of Finance of the Republic of Uzbekistan dated September 9, 2002 No. 103, to summarize information on the availability and movement of fixed assets of an organization in various states (operation, reserve, conservation, current rent) active account 0100 “Fixed Asset Accounts” is used.

Depending on the intended purpose and functions performed, fixed assets are divided into the following classes indicated in Table 1.

Table 1.

Fixed asset accounts in the chart of accounts⁸

0110	Earth;
0120	Buildings, structures and transmission devices;

⁷Developed by the author.

⁸National Accounting Standard of the Republic of Uzbekistan (NSBU No. 21) “Chart of accounts for financial and economic activities of business entities and instructions for its application.”

0130	Cars and equipment;
0140	Furniture and office equipment;
0150	Computer equipment and computer technology;
0160	Vehicles;
0170	Working and productive livestock;
0180	Perennial plantings;
0190	Other fixed assets

1) On account 0110 “Land” - land plots that are transferred to the enterprise in accordance with current legislation into ownership. Additional costs associated with purchasing land include: real estate agent commissions, attorney fees, purchase taxes, drainage, clearing and leveling costs.

2) “Land improvement” – costs associated with improving land, car parking, fences, and access roads for other vehicles.

3) On account 0120 “Buildings, structures and transmission devices”:

– buildings include administrative, industrial, residential, social and domestic (separate buildings and extensions that have independent economic significance are assigned a separate inventory number). All communications that are necessary for normal operation are included in buildings and structures. These include lighting, ventilation, heating systems, security and fire alarms, telephone networks, elevator facilities;

– structures, which include engineering and construction facilities. Their purpose is to create the conditions that are necessary for the implementation of the production process by performing various kinds of technical functions not related to changes in objects of labor, as well as non-production functions (roads, reservoirs, overpasses, bridges, gas and oil wells);

– transmission devices include complete functional devices for transmitting information and energy. These are pipelines for various purposes, power transmission lines, heating plants, radio relay lines, specialized structures of communication systems, cable communication lines, as well as similar objects with all associated complexes of engineering structures.

4) Account 0130 “Machinery and equipment” is:

– power machines and equipment - boilers, internal combustion engines, power transformers, nuclear reactors, turbines, steam engines;

– working machines and equipment - devices, machines, units, the task of which is to exert mechanical, thermal, chemical or other technological effects on objects of labor;

– measuring and control devices, laboratory equipment - pressure gauges, scales, thermostats, dispensers, alarms, equipment for research laboratories, seismic stations, equipment for dispatch control;

– other machinery and equipment - telephone exchange equipment and other equipment that was not taken into account in previous groups.

6) On account 0140 “Furniture and office equipment” - furniture and supplies for administrative and industrial purposes (safes, cabinets, chairs, tables, furniture sets), as well as office equipment (fax machines, paper shredding and paper cutting machines).

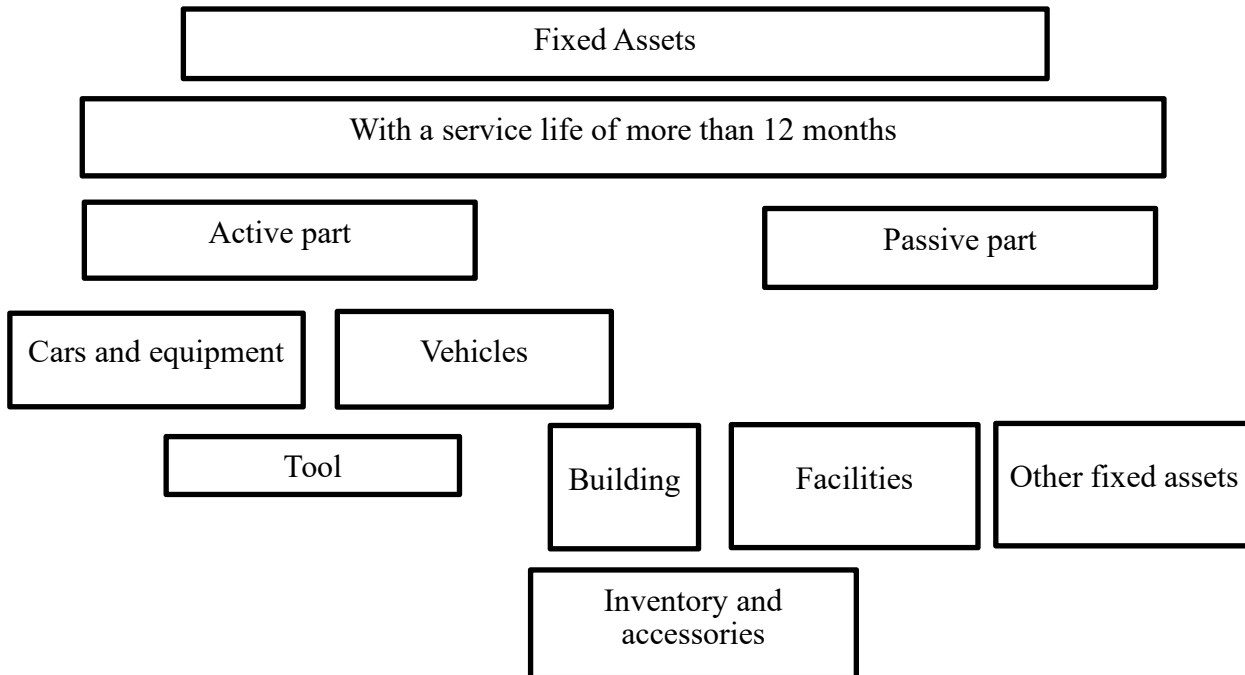
7) Account 0150 “Computer equipment and computer technology” is equipment that is intended for converting and storing information (scanners, computers, modems, printers, computer equipment, as well as computer equipment).

8) Account 0160 “Vehicles” are vehicles intended for the transportation of various goods and people. These are main pipelines, as well as water, air, road, and rail transport.

9) Account 0170 takes into account “Working and productive livestock” - livestock that is used as labor - camels, horses, donkeys, oxen and other animals used as horse-drawn transport, as well as livestock

that produce products in the form of offspring, milk and wool (broodmares, cows, buffalos, ewes).

Figure 8. Valuation of fixed assets depending on their role in business activities⁹



10) Account 0180 “Perennial plantings” - these are fruit and berry and ornamental trees and plantings, hedges.

11) Account 0190 reflects “Other fixed assets” - fixed assets not listed in the above groups, for example, library collections.

Regardless of service life and cost, fixed assets do not include:

- a) special tools and devices for specific purposes, intended for serial and mass production of certain products or for the production of individual orders;
- b) special and sanitary clothing, special shoes;
- c) bedding;
- d) office supplies - calculators, desktop instruments;
- e) kitchen and table equipment, table linen;
- f) temporary, non-title structures, fixtures and devices, the construction costs of which are included in the cost of construction and installation work;
- g) replaceable equipment with a service life of less than 1 year;
- h) fishing gear: trawls, seines, nets, gear, meshes¹⁰.

CONCLUSIONS

Fixed assets for production can be divided into two categories depending on their functions in the economic activities of the organization. The active part consists of working machines and equipment, technical structures, measuring instruments and devices that are directly involved in the production process. The passive part includes buildings and equipment that have an indirect impact on production processes.

Based on the theory studied, we can conclude that fixed assets are an important component of accounting that requires careful evaluation and accounting. Effective management of fixed assets allows an enterprise to optimize its activities, reduce financial risks and ensure sustainability in the long term. Classification and valuation of fixed assets are important for the formation of a correct financial report that reflects the real value of assets and their impact on the financial stability of the enterprise.

⁹https://studref.com/464245/ekonomika/otsenka_osnovnyh_sredstv

¹⁰pp. 11-21 of the National Accounting Standard of the Republic of Uzbekistan (NSBU No. 21) “Chart of accounts for financial and economic activities of business entities and instructions for its application.”

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